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ABSTRACT

When New Jersey passed the Quality Education Act to equalize expenditures between rich and poor school districts, it added a level of regulatory oversight to the "special needs districts," the 30 poorest districts in the state. This paper describes that oversight system and the additional paperwork burdens it created for those districts. It also explores the political context that contributed to the new system and the past abuses that it might help to correct. State-level policy development was tracked through document analysis and interviews with officials on the State Board of Education and in the Department of Education. Longitudinal case studies of 12 school districts involved analysis of district records and interviews with the district superintendent, administrative staff members, a union leader, the board president, a city government representative, principals, teachers, and school staff. A conclusion is that where coordination between the new system and the old was successful, the new system was moderately effective in improving the performance of those districts. However, it questions the use of an input criterion--legal status and expected funding increases--rather than a performance criterion such as student learning or avoidance of financial mismanagement for determining which districts should undergo such oversight. (LMI)

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REGULATORY EQUITY AND EFFECTIVENESS: ISSUES OF WILL, CAPACITY, AND LEGITIMATION IN NEW JERSEY

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Abstract

When New Jersey passed the Quality Education Act to equalize expenditures between rich and poor school districts, it added a level of regulatory oversight to the "special needs districts," the 30 poorest districts in the state. This paper describes that oversight system and the additional paperwork burdens it created for those districts. It also explores the political context that contributed to the new system and the past abuses that it might help to correct. The paper concludes that where coordination between the new system and the old was successful, the new system was moderately effective in improving the performance of those districts. However, it questions the use of an input criterion--legal status and expected increases of funding--rather than an performance criteria such as student learning or avoidance of financial mismanagement for determining which districts should undergo such oversight.

REGULATORY EQUITY AND EFFECTIVENESS:

ISSUES OF WILL, CAPACITY, AND LEGITIMATION IN NEW JERSEY

In 1990, New Jersey's Supreme Court ordered its legislature to create a funding system that would substantially equalize spending for regular education programs between the state's poorest and richest districts (Goertz, 1992). Just a few weeks later, the legislature passed the first Quality Education Act that was intended to take substantial steps towards achieving that equalization. Most attention in succeeding years has focused on the extent to which fiscal equity has been achieved, and a recent court decision found that QEA made insufficient progress towards equalizing expenditures between rich and poor districts. Meanwhile, another sort of inequity has been ignored: a new layer of regulation and oversight of New Jersey's poorest districts.

There are two ways to view this additional oversight. One view is that it might be a rational effort to address one of two problems exacerbated by substantial increases of funds to urban districts. The first is the "bad apple" problem (Bardach & Kagan, 1982), that districts will willfully misuse the windfalls coming from the new funding system. The second is that districts will lack the capacity in the form of technical knowledge or organizational capability to devise and execute plans to use such funds constructively (Berman, 1986). The other possible view is that it is a punitive response of an angry electorate forced to raise taxes and redistribute wealth from rich to poor districts. These alternatives are not mutually exclusive. Rational policy decisions are made often in a political cauldron where symbolic appeasement to various constituents is important.

This paper explores the regulatory inequities stemming from New Jersey's QEA. It first points to three broad needs for regulation: to control bad apples, to provide assistance in cases of low capacity, and to legitimate unpopular decisions. After describing the research methods used, it then demonstrates that inequities exist between rich and poor districts. It next describes how a political

backlash contributed to regulatory inequities after the passage of QEA. The subsequent section suggests that the problem of waste and mismanagement raised by the "bad apple" question is real in New Jersey, but that it is not limited to poor districts. The final section explores how effectively the oversight procedures helped districts overcome limited capacity to improve.

REASONS FOR REGULATION AND OVERSIGHT

There are at least three reasons for possible oversight of school districts. The first, which is very apparent in regulation of businesses, utilities, and the like, is the problem of bad apples who "deliberately disregard or evade applicable social goals and legal norms" (Kagan, 1986, p. 65). Regulations covering the preparation of food and drugs, occupational safety, and environmental pollution all fit this model. As described by Bardach (1986) and Kagan (1986, also Bardach & Kagan, 1982), governments typically respond by developing behavioral regulations which require that certain procedures be followed and forms be filled out with. They may punish noncompliance with fines and/or jail terms. Both on-site and paper inspection ensure that procedures are followed. Also, inspectors usually have highly limited discretion to ensure that those regulated do not influence them to bend or break the law.

The strength of this broad approach is procedural fairness: the procedures apply to all regulated organizations. However, several weaknesses exist. The letter of the law substitutes for its spirit, so paradoxically, those regulated may find that legal procedures keep them from achieving the goals of legislation. Because the law is administered uniformly, substantial resources are wasted on "good apples," and there may be insufficient time and money to pursue the bad ones. Moreover, good apples must waste time with paperwork and regulation.

Bardach (1986) and Kagan (1986) advocate giving regulators more discretion so they can focus on bad apples and find ways to reduce regulatory unreasonableness for good ones. They have not, however, addressed the problem of fairly and reliably separating the bad apples from the good.

Fuhrman and Elmore (1992) have explored strategies for regulatory variation in education to reduce the burden of regulation on good apples. While they do not specifically address the problem of separating out the bad from the good, they do describe some options that would make regulation dependent upon performance.

The second need for oversight stems not from lack of will--the bad apple problem--but lack of capacity. According to Berman (1986), some school districts do not follow state regulation, not because they do not want to, but because they lack the know-how or organizational resources to do so. Appropriate responses here usually take the form of technical assistance, such as written materials, training, and on-site help. Usually, regulating agencies recognize that capacity problems vary from district to district, so there is less pressure to treat units uniformly. Considerable research suggests that technical assistance depends upon voluntary cooperation between the helper and the helped (Firestone & Wilson, 1983). Also, assisters' success depends in large measure on their capacity to adjust to local conditions (Corbett, 1981). Therefore, technical assistance does not usually have the procedural rigidities that accompany regulation.

Problems arise with assistance, however, when districts that need it will not accept it. States have made efforts to use various regulatory strategies to get districts of limited capacity to accept assistance on issues where they might not otherwise want it. But state efforts have met with questionable success (Firestone & Wilson, 1983). More generally, research indicates that external assistance may have limited utility. While substantial evidence suggests that such assistance helps get districts to adopt discrete programs and practices, that outside help can accomplish more fundamental change remains unclear (Firestone & Corbett, 1988).

The final reason for regulation and oversight is for external legitimation (Scott, 1987). Schools are dual beneficiary organizations that serve both their students and the public (Blau & Scott, 1956; McDonnell & Pascal, 1988). This often places a priority on taking certain steps to please the

public, regardless of other considerations. When issues generate great conflict, such special steps may be especially necessary. Redistributive policies--including school finance equity legislation--can produce such conflict (Peterson, Rabe, & Wong, 1988). When regulation develops to meet such external exigencies, a premium may not be placed on attending to other concerns, especially those stemming from lack of capacity.

RESEARCH METHODS

This paper is part of a larger study of the implementation and effects of the quality education act in New Jersey (Firestone, Goertz, Nagle, & Smelkinson, 1993). This study has a number of aspects. One is tracking policy development at the state level through collection of state documents, maintaining a record of newspaper coverage of changes in state policy, and interviews with officials on the State Board and in the Department of Education.

Another aspect is longitudinal case studies of twelve school districts. The major criterion in selecting districts was the projected impact of the QEA. While a major focus of the QEA was on poor urban school districts, policy discussion in New Jersey suggested that the QEA would affect the richest districts and middle income districts rather differently. Our sample therefore includes three types of school districts: (1) "special needs" districts--the poor urban school districts that are the target of the Court's mandate for expenditure equalization and of the QEA itself; (2) "transition aid" districts--the state's wealthiest school districts slated to lose their minimum aid over a four-year period; and (3) "foundation aid" districts--non-special needs districts that qualify for equalization aid and generally fall between the special needs and transition aid districts in per pupil wealth.

In order to trace the impact of the QEA and related state policies to the school level, we collected data from both district offices and schools. At the district level, we collected district budgets for the period 1986-87 through 1992-93, demographic information, plans for categorical programs (special education, compensatory education, ESL/bilingual education) and the Education

Improvement Plans for the special needs districts. In each district we also interviewed the superintendent, business manager, curriculum director, directors of categorical programs, a union leader, and the board president. In most districts a reporter and/or a representative of the city government was also visited. School interviews have been conducted with principals, teachers and other staff at the elementary, middle, and high school levels. Two rounds of interviews have been conducted in the last two years. Interviews were structured by an interview guide (Patton, 1990) that specified all topics to be covered, but gave interviewers some leeway to phrase questions in a manner appropriate to the respondent (For details, see Firestone, et al., 1993).

The impetus for this analysis came out of complaints of school administrators in special needs districts during early interviewing. Since then an inductive analysis has been conducted attempting to identify why the oversight procedures were designed the way they were and how they changed over time, how they were experienced by district administrators, and what the various consequences of oversight procedures were.

THE BASIC OVERSIGHT PROCEDURES

Special needs districts are subject to two oversight procedures: the New Jersey monitoring regulations that preceded QEA and an additional procedure designed especially for them with the passage of QEA.

MONITORING: PRE-QEA

Beginning with the Thorough and Efficient Education Act--an effort to equalize educational expenditures that preceded the QEA--New Jersey has expected school districts to meet a set of centrally established standards. In effect, these standards define a "thorough and efficient education" which the state constitution requires be provided to all students. From 1984 to 1991, that defined the standards through 43 indicators grouped into ten categories: annual educational planning;

school/community relations; comprehensive curriculum/instruction; student attendance; facilities, professional staff; mandated programs; achievement on state tests; equal educational opportunities/affirmative action; and finances.

One of the most important areas was achievement on state tests. 75 percent of 3rd, 6th, and 9th graders in each school in a district had to meet the state minimum proficiency standards in reading, mathematics, and writing (high school only). The state only administered the high school graduation test. Over the years, it gradually moved from a strictly minimum basic skills, multiple choice test to a test of slightly more intermediate and higher order thinking skills.

The county superintendents conducted the monitoring procedure. Essentially, the office assigned a monitoring team to all districts to conduct desk audits and on-site school evaluation visits. Further, the county office reviewed the district budgets for adequacy. If a given district satisfied all ten criteria, it was placed in "Level I" monitoring and certified for five years. If the district did not meet all requirements, it was placed into "Level II" monitoring. The state required that the district conduct a self-evaluation and implement a plan to address the deficiencies. The district had one year to develop and implement its plan. If the district corrected its problems, it was certified for five years.

If the district could not correct its problems in a year, it was placed into "Level III" monitoring. In this case, the state would appoint an external review team to determine why the Level II plan did not succeed. Where warranted, the state would conduct a compliance investigation in the areas of governance, management, and finance. The district then had an opportunity to reach state levels of proficiency in the ten mandated areas through the implementation of a second corrective action plan. If the district continued to be deficient in any or all of the ten areas, the assistant commissioner of education might eventually order a state takeover of the district, which has already occurred in both Jersey City and Paterson.

Officially, the above regulations applied to all New Jersey districts. However, in practice, the burden of Level II and Level III monitoring fell disproportionately on the state's poorer districts. For example, in the summer of 1992, the state listed five district in Level II monitoring, only one of which was not a special needs district. In addition, the five districts in Level III were all special needs districts.

These nine special need districts varied in wealth, family background and other factors in ways which affect district performance, especially on test scores. A finer grained assessment comes from the state's scheme for classifying districts into "district factor groups" (DFG) on the basis of such census data as: poverty rate, unemployment, income, population density, occupational distribution, and level of education. All the special needs districts classified as Level II or Level III, as well as the two districts the state had taken over (which were also special needs districts), fell in the lowest DFG. In sum, the most heavily monitored districts were not only special needs districts, but also among the poorest in the state.

In 1991, the state suspended Level I monitoring, in anticipation of a new monitoring law. However, the state continued to monitor those districts in Level II and Level III for compliance with the old regulations.

QEA

When the Quality Education Act took effect in the 1991-92 school year, each of the 30 special needs districts underwent a two-stage process to ensure district and school accountability for improvement efforts in addition to the previous monitoring process. First, the Division of Urban Education (DUE), a special unit established within the Department of Education[1], established

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[1]In 1993, after a change of Commissioners, the state folded the DUE into the Division of Field Services which runs the county offices. Because it was never given a new name and continued to function very much like before, we continue to refer to this unit as the DUE.

External Review Teams (ERTs) made up of out-of-district groups of educators. These teams examined each special needs district in the following areas: goals and outcomes; organization; leadership and management; curriculum and programs; resources; district and school environment; community linkages.

The teams' goal was to help each district identify major problems and offer recommendations for improvement. Many of the examined areas match the areas of the old monitoring law. Therefore, while the ERTs may have been charged with helping the district to improve student outcomes, the tone of the process could not help but appear to some in the districts as yet another state monitoring procedure.

Second, the legislation directed each special needs district to develop and implement an Educational Improvement Plan (EIP) to show how it would spend its additional QEA funds. The district's plan had to be responsive to recommendations made by the Department of Education and the External Review Team; consistent with the monitoring regulations; designed to support comprehensive district-level planning to improve student outcomes through improvement of management, governance, finance, and facilities; and designed to support and coordinate school-level planning.

Clearly, no small amount of work would create such a plan. Each district wrote several objectives for its plan. Then, the district divided each objective into several activities and subactivities. Each activity specified a resource person for the activity, persons responsible for the activity, date, and cost on each page of the plan. A given district could thus refer to an activity accordingly: for example, activity 7D.45, where 7 is the objective, D is the activity, and 45 is the subactivity.

The resulting documents were quite large. Representative EIPs were generally over 200 pages long. In addition, to the paperwork and time needed to create and write the plan, it had to be

disseminated to staff and implemented. Moreover, this process had to be repeated every year of the QEA.

To insure EIP implementation, the DUE oversees activities in the 30 special needs districts. Each district has a DUE liaison. Every month, the DUE representative makes a verification visit to the district. During these visits, the liaison reviews the status of completed EIP objectives, verifies EIP expenditures to date, conducts site visits to schools, and identifies needs for technical assistance and/or concerns regarding any aspect of implementation. The district must prepare for these visits: it must keep accurate documentation and expenditure data to demonstrate its status on the EIP objectives.

In addition to its monitoring requirements, the DUE also provides technical assistance to help the district complete, and hopefully be successful at, this very complex process. The DUE has supplied districts with information about and training for a variety of improvement programs which have a strong reputation for improving the achievement of children in urban schools. The DUE supports the *Comer School Development Program, Success for All* developed by Robert Slavin at Johns Hopkins University, and the *Accelerated Schools Program* developed by Henry Levin at Stanford University. The DUE made a concerted effort to get special needs districts to use the Comer program, and as of December 1991, it supported 36 schools using that approach. Fewer schools have chosen the other two and only one chose Accelerated Schools. Conceivably, the technical assistance provides much help to districts who choose to participate in these programs. Yet the DUE (and the state) clearly pushes the districts toward its objectives by sponsoring some activities and not others.

Currently, each special needs district has completed three EIPs. During this time, the process has changed. The first year of QEA may have presented the largest hurdle to the special needs districts. When districts began making their plans in the late fall of 1990, the state instructed them to

plan for an increase in funding based on the act passed the summer before. Even while they were planning, however, the legislature began considering amending the QEA to reduce the money for urban schools. A final bill passed in March, 1991, which substantially reduced the money available to these districts (Goertz, 1992). Thus, the districts worked under great uncertainty and their plans needed frequent revision.

In the second year, the state changed the focus of the EIPs, so that the district had to reroute their strategies. It required that EIPs focus much more explicitly on student outcomes and demanded that the EIP expenditures be much more closely tied to these student outcomes. In the third year, the state added a requirement that each school develop a school improvement plan (SIP) based on what it determined as "demonstrably effective programs" for improving student achievement. It allocated $50 per student to each school to support its plan. That same year public pressure increased for the state to account for the expenditures of more money in urban districts. Therefore, EIP requirements changed and now required that plans cover a broader array of activities.

Throughout all three years, several special needs districts remained in Level II or Level III monitoring. (Recall that for all other districts, Level I monitoring had been suspended.) The requirement that districts please both the DUE and the county offices produced a confusing atmosphere and additional work because the goals of the two agencies were not aligned.

It might be appropriate that the new oversight procedure apply only to the special needs districts, if only they benefitted from QEA funding. This was not the case; in fact, the extent to which other districts benefitted from QEA remains generally unrecognized. Originally, QEA provided $1.2 billion for education in New Jersey. After it was amended in the spring of 1991, that figure fell to $800. Under those amendments, 65 percent of the new funds actually went to poor rural and middle-income suburban communities that were not special needs districts (Goertz, 1992).

Within our sample of twelve New Jersey School districts, some nonspecial needs districts

fared quite well under the first year of QEA. Increases in state aid in the six special needs districts ranged from 14 to 66 percent. Dollar amounts ranged from $604 to $1822 per pupil. Increases in the other districts ranged from 5 to 27 percent; four districts had larger percentage increases than the special needs district with the least growth. In some cases, however, the amount of aid received from the state before QEA had been so low that substantial percentage increases did not translate into large dollar amounts. Still, two middle income districts had per pupil increases of $587 and $734 which rivaled or exceeded the dollar amount allocated to the special needs district receiving the smallest increase (Firestone, et al., 1993). Thus, while the biggest winners from the QEA were the special needs districts, they were not the only ones for whom the act created special needs for accountability.

PERCEPTIONS OF MONITORING AND DUE OVERSIGHT

The large differences in terms of monitoring and state involvement between the special needs and the other districts, particularly during QEA, has not gone unnoticed by the central offices in the special needs districts. Their awareness of the situation can be best described in two phases. After the first complete school year of QEA, the anger still lingered strongly from the reduction in new state between QEA I and QEA II. After the second year, that anger had subsided enough to give people, especially those in districts still governed by the old monitoring regulations, time to realize the large "double burden" of dealing with the intrusion of two state entities.

In the first phase, two main themes emanated from the special need districts in our sample. First, many districts revealed the anger and disappointment over the change from QEA I to QEA II. The districts were initially led to believe that they would receive very large funding increases, and then had to scale back. One field report showed "a certain disappointment among district administrators because expectations were raised and then dashed." In another district, informants said they had to revise their plan five times as a result of uncertain information and, ultimately, diminished resources from the amended QEA. Second, because of the confusion and uncertainty caused by

switching figures between QEA I and QEA II, the state lost a good deal of credibility with the districts. Some districts noted the difficulties in planning under these conditions. At least one district suggested that it had been unwilling to make major program commitments or hire staff, for fear that the state might pull the money in a year.

In the second phase, after two years of QEA, the districts began to detail what they perceived as an unevenness in treatment of districts by the state. States one superintendent, "we are overmonitored. We have so many groups coming in. The urban 30 receive a disproportionate share of the monitoring in the state." Many special needs districts described the "double hit" of the monitoring regulations and the EIP process. One district further elaborated by describing the difficulties it had had interfacing between the monitoring regulations and the EIPs. In addition, many central office staff noted how time consuming it was to keep the records for the monthly verification visits of the DUE and the overwhelming effort it took to prepare the EIPs. Finally, many in the schools pointed out how much work it had been for teachers to prepare the school level EIPs--work for which they had not been compensated and for which many had donated several late evenings to complete.

These same events affected the nonspecial needs districts, albeit in different ways. The changing state numbers between QEA I and QEA II also created uncertainty and confusion for these districts. So the state had lost some credibility with them as well. However, because monitoring no longer applied to these districts (most had easily passed Level I and anyway, Level I monitoring had been suspended until the new law had been passed) and because they had no need to think of the DUE or EIPs, these districts had not much to say about state intervention or regulation of this kind. As a field reporter noted in one wealthy district, "no one remembers when the state monitors were last here, no one knows when they will return, and no one really cares."

THE POLITICS OF OVERSIGHT

The QEA created an inequitable monitoring system that generated greater reporting burdens for special needs districts, even though others also benefitted from the act. The concept of legitimation offers one possible explanation for this situation. That is, the inequitable system may stem from a backlash against the redistributive nature of the act itself. A history of the deliberations around the QEA suggests that advocates for the special needs districts indeed had to contend with the political reality of such a backlash.

In 1990, the Abbott v. Burke decision and the new Florio administration's QEA triggered a taxpayer revolt the likes of which had not been seen since an earlier supreme court decision had required a state income tax to fund an effort to equalize educational expenditures in the 1970s--the T&E (thorough and efficient) Act. Immense opposition to the tax increases and the school funding bill formed even before the signing of the bill. Motorcades converged on the state capitol. The Governor's approval rating dropped 19 points, from 42 to 23 percent, after the bill passed. Those who ranked performance as poor more than doubled from 14 to 32 percent ("Tax Hikes," 1990). The depth of this opposition became apparent in fall 1990 when Bill Bradley, a very popular United States Senator, almost lost re-election to an unknown Republican challenger.

The tax hikes caused most of the opposition (some of which would have covered a deficit generated in the previous administration); but a good deal of it was directed at the QEA itself. A poll taken after the bill passed found that 56 percent opposed it, while 35 percent supported it ("Most Jerseyans," 1990). QEA angered the public in the short-term because of higher taxes. However, redistributive nature of the policy also raised concerns. According to one state Senator,

> The court is requiring working-class people residing in middle-income communities who drive around in Fords to buy Mercedes for people in the poorest cities because they don't have cars. ("Decision Draws Mixed Reaction," 1990)

Even those more supportive of the thrust of policy worried that the plan would not work. In a guest

column in the New York Times, a resident of one of the richest districts in the state professed that "we're not too upset about the tax part. We're Democrats, after all." But the same individual went on to complain about the anticipated effects of the QEA:

> Mr. Florio's idea is to withhold funds from 150 . . . "wealthy" school districts and distribute that money among 350 . . . other districts. But schools in the newly deprived districts will be devastated, as unhappy educators have declared; the good districts will simply cease to be good. And frankly its hard to avoid the suspicion that, at this frenzied pace, the money *won't* be carefully directed, but will be shoveled hastily into the bottomless pit of New Jersey's disaster areas. (Sacks, 1990, p. A14, italics in original)

The concern that urban districts would shovel new money into a "bottomless pit" was frequently raised in later criticisms of QEA:

> The state of New Jersey has a program of compensatory education. The federal government has its Title 1 funding. These programs have poured millions upon millions of dollars into various school systems with little, if any, effect. (Hrevnack, 1991).

> The conclusion here might well be different if every leap of expenditures brought an increase in achievement. This has not been the case. In 1976, we were promised the state income tax and the "thorough and efficient" regulatory system would improve schools; in 1990, we were told conditions had only deteriorated for all the money that had been spent. . . . To succeed in school, poor children need more than better-paid teachers and expensive improvement plans that guarantee the jobs of the superfluous. ("More Dollars," 1991).

While most discussion focussed on changing taxes and how to distributed the resulting revenues, some spoke of ensuring that new monies for urban districts be spent appropriately. One columnist called for better tests as outcome measures (Braun, 1990). A newspaper editorial argued that

> The legislature must be certain that any new program that delivers large sums of new state money to urban school districts incorporates a reliable way to make sure the money is wisely spent. . . . The performance of some districts in the past hasn't inspired confidence. ("Fix It," 1990)

Another said "the Legislature must build a strong monitoring and review system into the formula that will finance the venture" ("Uncharted Territory," 1990). In response, the Governor, who three months before the QEA had passed had been calling for expanding social services through the schools, made the avoidance of waste an important part of his defense for spending increases:

> Let me make it very, very clear what this money is not for: Its's not for anyone to build up flabby, lethargic bureaucracies. Its not for empire-building by administrators. its not for business-as-usual in systems that have been producing poor results. [It's] not for anyone's patronage. It's for one thing and one thing only: our children... Education today will be more than the three "R's." It also needs a "Big A:" accountability. (Florio, 1990)

Nine months later the Governor reminded the "education establishment" that "the public's patience and pocketbook are not unlimited" ("Florio Rips Education Spending," 1991). At the same time, his Commissioner of Education reported that people he had spoken to were "most concerned about accountability--making sure the money provided through the QEA is put to good use." He talked about developing a computerized tracking system to find out "exactly where our educational expenditures are going" and how the Division of Urban Education would work with the special needs districts to ensure that improvement plans would remain on track ("Ellis Declares," 1991).

In fact, reaction to fears of waste and a perceived need for accountability very nearly led to mandating that special needs districts use the new funds provided them only for specifically designated expenditures. One person involved in those deliberations says,

> There were two schools of thought. One was to write prescriptive language into the legislation saying that it must be used to reduce class size, provide full-day Kindergarten and extend after school programs. So much would have to be spent on staff development and so forth. The other school of thought said the situations in urban districts vary enormously. The capacity to absorb money and expand programs varies because of facilities. [X District] couldn't reduce class size because it has no classroom space. The quality of teaching staffs differed. Some already had full-day kindergarten . . . The thought was rather than go that route, have a process that tailors targeting for each district. The system for that was the external review.

Thus, however duplicative and overloading the special QEA oversight seems in retrospect, it is less restrictive than some alternatives contemplated.

Still, other factors affected the design of these oversight procedures, in addition to the above public discussion and controversy. Some advocates for urban education resided in the various agencies involved in the design process. Their concern was less with gross neglect and mismanagement than with how special needs districts would handle the large amount of money that

was initially anticipated for them. As one explains,

> There was some urban bashing from the Republican side. . . . It's true the accountability mechanisms--the review team reports and improvement plans were intended to reassure those people and the public at large that the state would actively assure that the money was well spent. But it's also true that people like me [names two others] felt that some kind of guidance structure was needed to make sure the money was well used. It was a question of capacity. None of us thought most of the urban districts had the capacity to do the planning that was necessary on their own.

In sum, the redistributive nature of QEA elicited public distrust of urban districts that contributed to the design of the oversight procedure included in it. Yet, even advocates for urban education believed those districts would needed some kind of help.

THE BAD APPLE PROBLEM

The dispute over the QEA illustrates a broad public perception that widespread waste and mismanagement, if not outright fraud and corruption, existed in the special needs districts. If this perception has any validity, there is a legitimate bad apple problem and some conventional approaches to regulation and oversight might be appropriate. Two issues did not come up in the public discussion: 1) how widespread the bad apple problem might be among special needs districts--the discussion was undifferentiated and tarred all 30 districts with the same brush--and 2) whether and to what extent similar problems occurred outside the special needs districts.

It is difficult to get information on these matters, but certain evidence suggests at least mismanagement within some of the special needs districts. After the passage of the T&E in 1975, some of those districts used their compensatory education money to subsidize the regular program, rather than to provide additional assistance to students who tested poorly as the state intended (Carlson & Rubin, 1979). The QEA law passed just after the Department of Education had taken over the Jersey City Schools because of irregularities such as using the district budget for patronage hiring (Dolan, 1992). A few years later, when the state began to move toward takeover of the Newark Schools, the state alleged that the district was spending an inordinate amount on food services

and administration. The allegation signifies patronage hiring (New Jersey Department of Education, 1993).

These instances do not characterize all urban districts in New Jersey. Indeed, the state documentation in the Newark case suggests great variation in staffing patterns among the special needs districts. For Newark, the areas of suspicious hiring included administrators and noncertified staff, such as aides and cafeteria workers. But a comparison among special needs districts shows that the number of administrators per student ranged from 103 to 233, while the number of noncertified staff per student ranged from 14 to 62 (New Jersey Department of Education, 1993). Thus, the extent of the problem (or even its existence) differed a great deal among these districts. This suggests that, as in other areas, bad apples are likely to be in the minority.

There has been less effort over the years to identify bad apples among the affluent and middle income districts in the state, so information is anecdotal and tends to come after leadership transitions. Nevertheless, even within the small sample in this study, such evidence appears. For instance, in one district after a business manager left, the replacement identified several questionable accounting and management practices. The previous manager had moved money between accounts to cover shortfalls following inappropriate procedures. Further, he had not regularly invested short-term surpluses in interest-bearing paper to increase district income. In addition, the district paid maintenance and custodial staff for many hours of overtime which it could have saved (and later did) by putting them on staggered shifts. Finally, one teacher in this district complained that special program funds were used to buy computers which were then diverted to another program.

In another district, during a heated dispute with the school board and the city government over the district budget, a new superintendent was embarrassed when he had to report that his business office had been systematically underreporting the amount of the district's surplus for several years.

In a third district, when an elementary music teacher was not replaced and music offerings substantially reduced, the interviewer was surprised to find a sense of relief rather than loss. In this district with a rather laissez-faire superintendent, the music teacher had become an aggressive program builder. Principals and teachers said that the level of choral and instrumental instruction had reached proportions that cut into instruction in basic academic subjects.

These anecdotes vary in their seriousness, although some resemble the kind of activity in the allegations in some of the big city takeover cases. Without suggesting that waste and mismanagement are widespread in New Jersey schools, they do raise questions about how much more appropriate special oversight is for the special needs districts than for others in the state.

ACCOMMODATING VARIATION IN CAPACITY

Despite evidence of some waste and mismanagement among rich and poor districts, as well as evidence of poor educational performance, mostly among poorer districts, it is difficult to assess the extent to which these problems stem from lack of will or lack of capacity, or how the two intertwine. The state oversight procedures recognized the capacity issue both in developing the relationship between the DUE staff and the districts and in offering assistance on specific programs of potential interest to these districts. To explore the success of this process, we present minicases of the state's relationship with four special needs districts. Although we tried to choose cases where will and capacity varied separately, this was not possible. Moreover, the will to comply with state regulation often differs from the will to improve educational programs; for example, districts may choose not to comply with specific regulations because of their vision of improvement (Kagan, 1986). The first two cases describe districts that had generally high capacity and cooperated with the state, although each had its distinct vision of how it should improve. The next two had noticeably lower internal capacity for management. In the third case, this capacity resulted in failure to generate any consensus on a stance towards either the state or school improvement. The fourth case raises a different issue by

showing the consequences of two separate state offices failing to coordinate.

SN2: LOCAL INITIATIVE-SELECTIVE COOPERATION

Before QEA, SN2 had its own improvement agenda. The external review shaped the agenda, but not in ways that made the assistance offered by DUE of interest to the district. Thus, the DUE and the district did not have a conflictual relationship. The working relationship was professional, but not close.

SN2's student body is predominantly minority. Almost three-fourths of the students are Hispanic, coming more and more from the Caribbean and Central America and less from Puerto Rico. The numbers of children from single parent families, with unemployed parents, and who receive free or reduced lunch are all noticeably higher than found in most high or medium wealth districts. Yet other districts in the state have notably worse conditions.

During the first year of QEA, the district received a $1140 per student (or 16 percent) increase in funding. The state actually gave more funding than appears in this figure, but state law mandated that the direct money toward property tax relief.

Considered one of the better urban districts in the state, SN2 passed Level I monitoring. District leaders believed their task was to move beyond the considerable progress made in basic skills improvement to develop challenging instruction for all children. Leaders felt they should capitalize on past success and attend to other groups of students who had received less attention--i.e., regular students who did not score low on tests. The leaders also recognized that the district would face new challenges when the state finally implemented the new HSPT geared to higher order thinking. Finally, they wanted to develop a strong enough reputation to bring back students who had left the public schools for parochial and private institutions.

QEA coincided with the retirement of SN2's longtime superintendent who had been a very strong program developer, but did not want to challenge the community to provide support for new

buildings. (That the superintendent was elected to the city council after he retired reveal signs of his political understanding and his closeness to the power structure.) As a result, the district desperately needed new buildings. Seven of the district's eleven buildings had been built before World War I.

A large section of the ERT dealt with the facilities problem. Part of it stated that

> In many schools wooden floors are warped and there is [sic] poor lighting, peeling paint, outdated heating plants, poor bathroom facilities, poor ventilation and need for control of pests. . . . Classes are often interrupted by individuals or groups who must walk through classrooms because the building was designed without corridors.

In fact the ERT dramatized the problem and raised pressure to address it.

Planning for SN2's EIP began by fundamentally accepting the recommendations of the ERT. These were widely disseminated among staff, community leaders, and parents. Difficulties in initial planning came not from any questioning of the ERT so much as the instability created because the district could not predict how much additional money it would receive through QEA.

The final plan (and those in subsequent years) had numerous subparts and objectives. However, two main themes ran through it. First, the district intended to continue the program improvement that preceded QEA. For instance, the second year plan had separate objectives requiring students to demonstrate ability in basic skills and advanced skills. This reflects the district concern to go beyond its past success with basic skills. Also, one objective hoped to have entering children demonstrate readiness for kindergarten through a Chapter 1 preschool. This objective reflected a mix of concerns raised by the state and district leaders' recognition of their changing demographics--increasing numbers of students who had no previous education in their native language, much less English.

Second, the EIP revealed a new multi-year building program. This included building at least one totally new elementary school and putting an addition on another. Further, the district planned to gut both middle schools totally and rebuild from the inside out. This necessitated several years of double sessions.

This bold plan for SN2 reflected a major departure from the past and required the new superintendent to take on the city's governing elite. As the plan formed, the mayor fielded one slate of school board candidates who were opposed to such a program and its attendant costs. The superintendent campaigned for a competing slate of candidates (primarily incumbents) who supported the program. The triumph of the second slate in the election assured success of the building program.

While SN2 worked cordially with the DUE staff, it chose not to use the special programs and technical assistance that office offered. This decision has two apparent explanations. First, some programs, like the Comer schools, may have been more appropriate for districts with more demographically desperate situations. Perhaps more important, SN2 staff believed that they had greater capacity and skills to mount the programs they needed than did the state. The district had achieved considerable success in the past when compared to other urban districts. With most of the leadership intact and a new dynamic superintendent working well with the old team, the district felt that it could do so in the future.

In sum, SN2 was a relatively high capacity district that did not need a great deal of ongoing assistance. The major effect of the special QEA oversight procedure was to raise some issues that the district had avoided in the past, most notably the woefully inadequate facilities. However, that problem would not have been attacked without dynamic internal leadership willing to take on strong community forces opposed to such a move.

SN3: LOCAL INITIATIVE-HIGH COOPERATION

SN3 has its own, well formulated approach to improvement. The approach resulted from a complex mix of state and local ideas, which has been highly internalized by the district administration as if it had been locally developed. Top administrators feel a high level of ownership of this agenda. At the same time, after initial tensions, a strong working relationship has developed with the department of education.

SN3 is one of the poorest districts in the state with large concentrations of minority children (black and hispanic), children from single parent homes, and an extremely limited tax base. The district has been in Level III monitoring for several years, although the director of curriculum reported that they only needed to raise test scores and school attendance figures in just a few schools to be certified. Because of its poverty and because the district convinced the community to pass a tax override in the first year of QEA, it was also one of the big financial winners among the special needs districts. Its per pupil expenditures increased $1549 or 22 percent in the first year of QEA.

SN3 had a two-part agenda for school improvement, largely internalized by the top district administration and reflected in observations in the schools. One part of this agenda placed an strong focus on social services. The superintendent emphasized that the schools in this district were "oases" in a desert of urban decay, and others shared the use of this oasis image. Even before QEA passed, he had worked to create clean, orderly buildings where students would feel safe. The district had also begun experimenting with homework hotlines, a social and health services clinic at one high school, and other strategies to reach out to students beyond the school day and offer services beyond those normally provided to students.

The district used QEA funds to expand this line of development. In describing one district initiative included in the EIP and supported with new state funds, one administrator said

> [X program] is a result of the superintendent's vision. He claimed education is a family affair. If you don't involve families, you won't achieve the outcomes you want.

Several programs the district started or expanded reflected this theme of replacing or strengthening the family for SN3's children. These included: K-8 "family" schools, which not only eliminated middle schools in favor of a K-8 configuration, but also provided a wealth of on-site services to students and parental training programs; the expansion of the social and health services clinic to another high school; the expansion of the homework hotline; and after-school homework centers in every school in the district. Most programmatic investments in this district went into this social area.

The second theme was academic improvement. In practice, this theme was narrowly defined as improving students' test scores. Over the years, the district had developed a sophisticated system of quarterly topic plans (QTPs) for all courses, subjects, and grade levels. Where appropriate, the district carefully aligned the QTPs with state and district tests; bought textbooks aligned with the tests and the QTPs; and geared staff development to helping teachers better implement those QTPs. The system was not cast in concrete; the district had standard procedures for updating the content taught, during each summer. During the 1991-93 period, those efforts focussed on building more attention to higher order thinking into the curriculum, especially in mathematics and language arts, to reflect the changing HSPT and other state tests.

While the district emphasized academic improvement, it probably required less direct investment than the social area. Still, teachers noted that they could more easily convert to new QTPs because they could get new materials more quickly and they had more access to staff development than in the past.

Throughout the post-QEA period, district administrators were not too concerned with the County Office. That relationship had been routinized, and with no imminent threat of takeover, there was very little conflict. For instance, the standard EIP form has spaces to show how objectives adopted fit with the requirements to get out of Level III; SN3 did not use in them in its EIP. The district did not ignore the County Office, but communication concerned more routine matters like coordinating with other districts in the county.

Relationships with the Division of Urban Education began on a bad note, however. Administrators challenged the findings of the SN3 external review team report and got changes made in the final document. Like many districts they were extremely disappointed when funds for the first year were cut midway through the planning process, and long hours went into revising the plan and reducing expectations.

Nevertheless, by the spring of 1992, the superintendent was careful not to criticize the EIP process and referred to it as a useful vehicle for planning. He guardedly refrained from criticizing the Department. In fact, he viewed the director of the Division of Urban Education as an advocate who "had raised consciousness of the needs of the urban districts. There are more positive relations with the state than before." Other administrators echoed this restrained positive view of the relationship. Commenting on relationships with this district from the state side, one official said, "We enjoyed a special relationship with SN3. For two years, I was invited to participate with the board and the superintendent in the annual board retreat. To present and participate in discussions of their vision for the SN3 schools. A high level official in the Department being invited to participate in those meetings is like a pretty significant paradigm shift."

This high level cooperation worked its way down to the school level. SN3 became one of the biggest users of the DUE's assistance capacity. It had more Comer Schools (with training provided by DUE) than any other district because district leaders saw considerable overlap between the Comer idea and their vision of K-8 family schools. Separate labels were maintained to encourage state cooperation. The district also used one other DUE program.

The SN3 ERT also called for a significant reorganization of the central office to improve internal coordination and to reduce a mentality that sponsored many, disjointed projects within the district rather than fewer, larger, more coordinated efforts. While a reorganization did take place during the second year of QEA, our observation was that the multiple project mentality continued. Ironically, it was difficult to tell if that mentality reflected lack of state influence or too much. The structure of the EIP with its numerous student-behavior objectives and expectation that there would be several discrete activities per objective, each with its own separate cost seemed to encourage fragmented (or at best loosely linked) reporting of activities.

In sum, what had developed over the years was a rather cooperative relationship between state

and district. SN3 had a two-part improvement agenda that its leaders had internalized so they viewed it as their own. The academic part of that agenda had been sharply shaped by the monitoring process and the need to get out of Level III, but district leaders had come to accept the validity of state tests as measures for assessing their progress. The social agenda was more independently developed, but it corresponded nicely with ideas coming from the DUE at that time. This was a district that had its own agenda yet was willing to cooperate with the state's vision of reform as expressed through the oversight process and the assistance provided by DUE. Under these circumstances, the state could have relatively high influence with little conflict. While district employees were still burdened by reporting requirements, that burden was accepted as a reasonable price to pay for the financial and technical assistance received.

SN4: NO LOCAL INITIATIVE-MINIMAL COMPLIANCE

SN4 is struggling with considerable inner turmoil at the central office. Most notably, the district has had three superintendents in three years. In addition, the city government and the Board of Education wield a large amount of power with district administrators. Because of this, SN4 has not formulated a strong approach to improvement in its schools. The QEA and the DUE definitely sparked the district's planning; yet it lacked the internal structures to succeed with their ambitious EIP. Finally, while the district did not overtly fight DUE intervention--their first EIP resembled much of their ERT--many district administrators were plainly unhappy about the state's involvement.

In the last 15 years, the school population of SN4 has shifted from a white majority to 95 percent minority, largely black and hispanic. About 50 percent of the district's students receive free or reduced lunch. Under QEA, per pupil expenditure increased by $966. Also, through political maneuvering, the district devised $50 million facilities bond for which it pays no principle or debt service (the municipality pays one third and the state pays two thirds).

The district has been in Level II monitoring since 1991-92, primarily because high school

math test scores did not meet state standards. It also is currently remedying facilities problems which violated monitoring regulations.

During planning for the first year of QEA, SN3 had a dynamic superintendent who put together an ambitious EIP for the district. When the superintendent departed, she left behind many people who were overwhelmed by the objectives and who doubted that they could be implemented. The plan contained eleven broad goals, including: facilities, food programs, new assessments, instruction improvement, central office reorganization, training at all levels, parent involvement, early childhood, multiculturalism, wider curriculum, support services for students, support services for staff.

Without their former leader, the district was both unwilling and unable to proceed with the EIP. A critical lack of communication existed between the business office and program administrators. The latter felt so uncertain about the figures supplied by the business office that they essentially refused to begin implementation of the EIP for fear that they would have to stop in midstream because of funding problems.

Only in spring of 1992 did the DUE liaisons conduct an audit to determine why QEA funds had not been spent. Afterwards, the district began using its new monies to fund programs listed in the EIP. However, district office delays prevented any action until April, 1992.

Like SN3, the district was not overly concerned with the County Office or the monitoring regulations during the post-QEA period. At least two factors can explain this situation. First, the district only recently (in 1991-92) fell into Level II monitoring. Because the test scores only failed to meet state standards in one grade and one area, the district worried little. Second, although districts in Level II are usually required to write special Corrective Action Plans, the district got the County Office to accept their EIP as its plan. Because it was not overly concerned with monitoring, SN4, like SN3, did not fill out the spaces on the standard EIP form that show alignment between the EIP

and the Corrective Action Plan.

Despite few comments from the central office administrators about the county office monitors, the district still attempted to improve students' scores on state tests. For example, some QEA funds helped the high school align its text books with a more challenging math curriculum which better matches the new state tests.

For SN3, state involvement meant interaction with DUE. While there was some grudging acknowledgement that the QEA and the DUE brought "changes in the form of preparing the Improvement Plan and that whole process," several administrators complained that "the DUE had a heavy hand" in developing their EIPs, particularly in the second year.

DUE's involvement in the second year plan came partly because the district had failed to start programs in the first year, but also because DUE seemed to understand that without strong leadership, the district would probably be unable to implement the ambitious 1991-92 EIP. So the agency directed the district to pare down the number of objectives to five. Moreover, in keeping with DUE's agenda for 1992-93, the new EIP focussed considerably more on student achievement outcomes, and more clearly outlined the link between spending and outcomes than the previous year.

While DUE oversight activated the central office, its intervention could not overcome poor relationships with the schools. For example, one school had been designated as a Comer Project school and thus received technical assistance from a DUE representative. Unfortunately, communication between the DUE facilitator and the central office was unsuccessful. Activities that the DUE liaison approved were subsequently rejected by the central office. This created additional paperwork, aggravation, and pressure for the school. The principal felt that "the school was caught in the middle."

In sum, DUE successfully intervened late in the first year to get district staff to start some activity when it did not believe in its own plan. It also helped the district develop a plan that better

fit its lower expectations in the second year. Still, it could not overcome lack of internal coordination or the absence of any internalized mission for improvement.

SN6: INTERNAL AND EXTERNAL CONFUSION

Compared with our three other case studies, SN6 has had the most involved relationship with the state, particularly with the county office. The intensive state involvement reflects both the district's substantial failure to meet state testing standards and numerous irregularities found in the district business office. Although SN6 had recently hired a new superintendent and appears to be trying to improve substantially, in years past it had been the closest thing to a "bad apple" among the districts in the study.

SN6 is largely poor, black, and hispanic. Approximately 75 percent of students in the district have been labeled "at-risk" by the state; these students receive either free or reduced lunch. The year before QEA the state provide approximately two-thirds of the districts revenues. In the first year of QEA, state aid revenues grew by 16 percent.

In spite of frequent threats of state takeover, a protracted battle between the previous superintendent and the school board, followed by a year with an interim superintendent, precluded the development of any local improvement agenda separate from attempts to meet monitoring requirements. The district made some efforts respond to county expectations, but these were fitful and poorly organized.

In 1991-92 after the first year's EIP was developed, the district did finally hire a new superintendent with a commanding presence, who began to develop an agenda. It reflected both efforts to respond to past monitoring reports and board priorities, as well as the new superintendent's reform ideas. The four main components are: reorganization of the central office, multicultural instruction, moving from junior high schools to middle schools, and development of a year-round school program.

This new agenda has not yet been synchronized with state planning requirements, however, in part because of contradictory signals from the two offices overseeing the district for the state. For instance, while the External Review Team in SN6 met with the county superintendent, they saw the Corrective Action Plan developed by the previous superintendent. The ERT then developed an independent report with no effort to coordinate its recommendations with what had already been agreed to by another agency. A year later, in 1992, the CAP was based on 60 directives and 50 recommendations from the County Office. Meanwhile, the state directed EIP writers in SN6 to implement what DUE had identified as "demonstrably effective programs" into the 1992-93 plan. Unfortunately, there was little overlap between these programs and the county's requirements for the CAP. This incongruity prompted the new superintendent to go to the county office and complain to an assistant commissioner, but for that year the fieldnotes describe the resulting EIP as a "mish-mash" of contradictory elements and "double talk."

District administrators report that this extensive monitoring created a large amount of paperwork as they had to keep a "double set of books" for both of the oversight procedures. Further, the district had five different DUE liaisons during 1992-93 alone. Each representative has preferred a different style of documentation of EIP progress.

At this point the effects of state intervention appear to be largely counterproductive, even though SN6 is the poorest performing of all the districts described so far. The district has clearly faced a monumental paperwork burden stemming from poorly coordinated guidance from two state offices and substantial turnover in one of them. Moreover, the paperwork may have been less useful than in other districts because of lack of internal direction until recently. A new superintendent is beginning to establish herself, but through the 92-93 school year, external pressures have done more to interfere with than support the implementation of a new agenda.

CONCLUSION

This analysis addresses questions about the effectiveness with which the oversight procedure established by New Jersey's QEA contributed to the improvement of education in the state and the equity with which poor and other districts were treated. The effectiveness question refers to the helpfulness of the process established by the state; the equity question pertains to the criterion used to determine which districts would undergo that process. The analysis has been limited in part by the sample of schools--six of the thirty special needs districts and six of the nearly 600 others in the state--and in part by time constraints in data collection and analysis. Nevertheless, a pattern appears to be emerging.

The state developed a fairly complicated process, including elements of on-site inspection by both state staff and outside experts--the external review teams in the first year--paperwork related to planning, and technical assistance. Moreover, for some districts the new process duplicated another process with similar purposes. Thus, it was much more complex than the typical regulatory structures described by Bardach (1986), Kagan (1986) and others.

Nevertheless, when the two state oversight procedures did not conflict, the new process was moderately effective. It did increase the reporting and paperwork burden on the districts. But one could argue that the bulk of the problem, at least in the first year, stemmed primarily from the legislature. The legislature increased the uncertainty of the planning first by threatening to reduce the funding to the special needs districts and then by actually doing it.

Still, in three of the four districts examined in some depth, the oversight system pushed districts to levels of improvement that might not otherwise have been accomplished. It ultimately depended on preexisting conditions in those districts. In SN2, the external review team encouraged the district to take on the facilities problem that had been avoided before. Yet, the effort would not have been successful without a fundamentally solid district administration and a new superintendent

who would take on the town's power structure. SN3 benefitted from both the state's technical assistance and its planning process. The guidance only encouraged administrators to move in directions they were already favored, and the special assistance was accepted readily because it paralleled efforts already underway. The state did push SN4 to move forward with a plan the current administration remained doubtful of, after the superintendent who developed it left the district. Still, state prodding could not overcome lack of shared purpose and the inability of district staff to coordinate their efforts. The exception to this pattern is SN6 where two state offices gave the district contradictory directives and may have made a difficult situation even worse.

One notable aspect of this process is that it is too labor intensive to be used with all 600 districts in the state. Thus, the state needs some easily applicable criterion to concentrate the effort. Under QEA, that criterion is whether the district receives a increase in targeted funds as a special needs district. We argue that this criterion is inequitable on two counts. First, QEA benefitted other district besides the special needs districts; some fared as well as some of the special needs districts. Second, even if it had worked correctly, special needs status is an input criterion. Although evidence suggests that truly bad apples exist among the special needs districts, there were also good ones that had a history of serving their clientele well. The good and bad alike were burdened by the process, and the process ignored bad apples and poor performers among the nonspecial needs districts.

It seems to us more fair to use criteria based on outcomes or performance rather financial inputs. In the New Jersey context at least, the public and policy makers appear concerned with two such criteria: educational performance and fiscal efficiency. New Jersey, like other states, uses school and district scores on state tests as a measure of educational performance. While such measures have been criticized on a variety of grounds (e.g., Madaus, 1988), there is no feasible alternative presently. However, New Jersey has consistently used absolute measures like the percent of students meeting a fixed standard. Given the well-known correlation between family background

and student performance (Hanushek, 1989), absolute criteria tend to disadvantage school districts serving at-risk clienteles. A district like SN2 with a large population of poor children from immigrant, non-English speaking families has to work harder and be more skillful to meet current state standards than do middle and upper income districts that meet the same criterion. This procedure differs considerably from that used in South Carolina, and other states, which develops clusters of districts based on family wealth and other input measures correlated with pupil performance and then compares performance within these clusters (e.g., Richards & Sheu, 1992). As a measure of *school performance*, such relative criteria seem more fair.

States appear to have less experience with developing measures of fiscal performance, but existing budget data should allow the development of ratios of instructional to noninstructional expenditures. It is likely that these ratios too will have to be adjusted for contextual factors. Low family wealth and education is likely to increase both instructional (compensatory programs) and noninstructional (security) costs. Historically, low spending districts in New Jersey at least often have backlogs of facilities and maintenance problems as well as shortages of teaching supplies not found in other systems (Firestone et al., 1993). Nevertheless, this strategy that looks at expenditure patterns rather than income has promise.

Whether alternative approaches are politically feasible is another matter. The oversight procedure used in New Jersey developed in the context of a redistributive school finance policy. Most political attention was directed to the funding formula, not the oversight procedure. The procedure appeased forces that were less concerned with the performance of historically underfunded districts serving poor, minority children than the fact that their own schools were losing money. It seems unlikely that policy makers will be able to move from input to performance criteria unless decisions about oversight are uncoupled from those affecting funding, but school districts may resist such an intrusive process if it is not linked to a need for fiscal accountability.

The current effort in New Jersey to redesign the basic monitoring procedures applicable to all school districts provides an opportunity to reconsider how state oversight is handled. This is a lower profile process separated from funding considerations. In keeping with the current interest in systemic reform (Smith & O'Day, 1991), the new system is likely to feature two elements: test scores and curriculum content standards that are in theory linked to student assessment instruments. In keeping with the state's past history, the system will also feature several levels of follow-up monitoring for districts that are not certified initially. It will be interesting to see how the criteria for in-depth oversight and the process for oversight and assistance develop.

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